



ROBINSON, FARMER, COX ASSOCIATES, PLLC

Certified Public Accountants

Date: February 2, 2022

Memorandum To: Management and Members of Council
Town of Rocky Mount, Virginia

From: Robinson, Farmer, Cox Associates

Regarding: Audit for fiscal year ended June 30, 2021

In planning and performing our audit of the financial statements of Town of Rocky Mount, Virginia as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (Internal Control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

However, during our audit we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Town personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Signature Stamps

During our walkthrough procedures, we noted that signature stamps utilized by the Town are not always restricted to use by the signer. The Town has implemented a process whereby checks over \$5,000 are required to be stamped by the individual whose name appears on same. However, because the stamp is accessible by other individuals for checks below this threshold, we recommend that management review its processes to further restrict access to signature stamps.

Tax Revenues

During our review of taxes, it was noted that property tax receivable balances are determined manually at year end and there is no on-going reconciliation of tax revenue throughout the year. Additionally, vehicle decal fees are included on the tax bills but are otherwise not tracked by the Town. We recommend that the decal fees be tracked in a manner similar to taxes and that a tax analytical be prepared on a quarterly basis to ensure that reported amounts are appropriate.

Currently, management performs review procedures to ensure that tax bills are correct prior to being mailed out. However, during our review of the tax personal property tax levy, we were unable to agree the total levy calculated based on assessed values and approved tax rates to the billed amounts. It appears that the difference relates to decals and/or the PPTRA amounts provided to taxpayers. While the difference was not material, we recommend that the bills be reconciled in total to the calculated levy prior to being sent. The reconciliation should be maintained for audit purposes.

Revenue Remittance Documentation

Documentation should exist for all receipts and other collections. During review, we were unable to locate sales tax remittance forms or check stubs from the County for 5 out of 12 months. We recommend that care be taken to ensure that check stubs or other documentation be maintained for all receipts.

Federal Payroll Forms

During review, we noted that Line 2 of the 1st and 2nd quarter 2021 941 Forms were not completed prior to submission. We recommend that a review process be considered to ensure that 941 Forms are filled out in their entirety and reconciled to the ledger on a quarterly basis.

Procurement Documentation

During the year, a purchase of a bucket truck was made under emergency procurement and same was not put out to bid. Per the Code of Virginia, a written determination of the basis of emergency should be maintained in the contract file and notice of an emergency placement should be posted or made publicly available on the day of the award or as soon thereafter as practicable. We were unable to obtain documentation of the written determination in the contract file or evidence that there was public notification of the award. We recommend that documentation be maintained going forward to ensure compliance with the Code of Virginia.

Munis Posting and Functionality Best Practice Recommendations

The previous accounting system did not incorporate a Treasurer's Accountability fund, but with the implementation of Munis, this functionality has been added. We recommend utilizing this fund to the greatest extent to possible to help reduce manual entries and ensure that cash within the various funds is balanced. Some examples include:

- Daily receipts can be posted directly to the Treasurer's accountability fund rather than by fund which would reduce the number of manual entries.
- Any daily receipt entries that are entered in Munis should be segregated between cash and non-cash related entries, particularly on water and sewer collections. Non-cash entries should be posted separately and would not affect the Operating bank account.
- The check to the payroll bank account each month should debit the Treasurer's accountability fund rather than an account in the General Fund.

Historically, the ledger has included long-term asset and liability accounts that are offset with contra accounts in the general fund and Munis has been set up in a similar manner. We recommend that management consider removing these accounts from the ledger to avoid any instances in which the accounts do not appropriately zero and avoid additional, unnecessary manual entries. Schedules outside of the system are already prepared and utilized for audit purposes to derive full-accrual totals

Per inquiry, the payroll system automatically posts all payroll related activity for each pay run to a different bank account than some of the amounts are actually paid. As a result, there are monthly entries and adjustments that are needed to reconcile bank accounts. We recommend that the payroll postings either be updated to accurately reflect the account from which funds will be paid or the bank accounts be merged and only one account be utilized.

Checks that need to be voided are not entered in the system utilizing the Munis Void Check Procedure resulting in voided checks still showing up on the outstanding checklist for bank reconciliation processes. We recommend that management research and utilize the appropriate Munis functionality to ensure that voided checks are removed from the outstanding list as appropriate.